

**Comptroller's Directive No. 3-08**  
**Attachment 11**  
**Internal Service Fund Financial Statement Template**

**Purpose**

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This attachment is used to obtain the financial statement and footnote information for internal service funds. This attachment is similar to prior year's Attachment 10.

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**Applicable agencies**

The following internal service funds have been identified for fiscal year 2008.

**Department of General Services:**

- Fleet Management
- Property Management (Real Estate Services, Maintenance & Repair)
- General Services (Virginia Distribution Center, Consolidated Laboratory Water Testing, Graphic Communications, Federal Surplus Property, State Surplus Property, Engineering Services)

**Note:** DGS will be provided with a combining financial statement template file for the Property Management Fund and the General Services Fund.

**Department of Human Resources Management:**

- Workers' Compensation
- Health Insurance Fund (excluding Pre-Medicare Retiree Healthcare OPEB)

**Department of Treasury:**

- Risk Management

**Virginia Correctional Enterprises**

**Virginia Information Technologies Agency:**

- Aggregate of internal service funds
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**Due date**

**August 14, 2008**

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**Certification**

The **Certification** tab requires all preparers and reviewers to type their name on this form. Please note that there should be a segregation of duties; therefore, the preparer and the reviewer should not be the same individual for any tab. By typing a name, the individual is certifying that all tabs of this attachment have been reviewed, the information is both complete and accurate, and the preparer and reviewer were not the same individual for any tab.

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**Comptroller's Directive No. 3-08**  
**Attachment 11**  
**Internal Service Fund Financial Statement Template**

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**Submission  
requirements**

Contact DOA if the agency has any problems with the files.

**After downloading the file, rename the spreadsheet file using the agency number followed by the internal service acronym followed by Att11.** For example, the Department of General Service's (agency 194) Fleet Management fund, should rename its Attachment 11.xls file as DGS-Fleet Management-Att11.xls.

**Submit the Excel spreadsheet electronically to**  
**[finrept-agvatt@doa.virginia.gov](mailto:finrept-agvatt@doa.virginia.gov).**

**Copy APA via e-mail to [APAFinRept@apa.virginia.gov](mailto:APAFinRept@apa.virginia.gov).**

**Do not submit paper copies of the Excel attachment.**

For your convenience, the yellow contact information cells have been linked to the remaining tabs. However, they remain unlocked to allow for more than one preparer to complete the attachment.

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**Attachment  
revisions**

If attachment revisions are made subsequent to DOA acknowledgement of receipt and acceptance of the original attachment submission, **resubmit the revised attachment AND complete the [Revision Control Log](#) tab in the attachment excel file.**

Enter the revision date, applicable excel file tab name, row number and column letter revised, and the previous and revised information. Document text changes and numerical changes. **Only enter changes for amounts actually keyed.** For example, if a non-keyed, calculated total changes as a result of the revision, this does not need to be documented on the Revision Control Log.

**If the attachment is revised more than once, do not delete control log revision information from the previous revision.** Enter the new revision date and the additional revisions in the rows following the initial revision rows. This log should document all revisions from the initial attachment submission.

Include “**REVISED – date**” in the **subject line** of the submission e-mail as well as in the **file name**. Resubmit the revised attachment; and ensure that the **[Revision Control Log](#)** tab has been completed.

**Each time a revision is submitted the [Certification](#) tab should be updated with new signatures and dates.**

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*Continued on next page*

**Comptroller's Directive No. 3-08**  
**Attachment 11**  
**Internal Service Fund Financial Statement Template**

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**General  
information**

1. The templates include numerous features, including automated comments and validation messages, to assist in the preparation and review of financial data.
2. Refer to **Attachment 24, Schedule of Cash, Cash Equivalents, and Investments as of June 30** and **GASBS No. 40** for guidance on completing the cash, cash equivalent, and investment footnotes (tabs 1A, 1B, & 1C).
3. Due from Other State Agencies must agree to "Part 1 - Internal" worksheet at **Attachment 19 - Internal Service Funds - Conversion to Government-wide Statement of Activities**. All other receivables from component units, higher education agencies, or other agencies not listed on that worksheet may be recorded as Accounts Receivable.
4. Ensure that all footnote tabs applicable to the data entered on the statements are completed. All funds must complete **Tab 6 – Commitments**, **Tab 7 – Miscellaneous**, and **Tab 13 – Cash Flow Analysis**. All Internal Service Fund agencies must also complete **Attachment 19, Internal Service Fund – Conversion to Government-wide Statement of Activities**.
5. **For guidance related to Tab 3 – Capital Assets**, parts 3.1 to 3.2 refer to the instructions on the following pages and **GASBS No. 42**.
6. Refer to instructions on the following pages for proper recordation of activities related to Energy Performance Contracts.
7. Refer to the **Preparation of GAAP Basis Financial Statement Templates (Attachments 9-13)**, **GASBS No. 33 – Nonexchange Transactions Overview**, **GASBS No. 34 – Financial Reporting Model Overview**, and **Additional Guidelines for Preparation of GAAP Basis Fund Financial Statement Templates** sections of this Directive for additional preparation guidance.

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*Continued on next page*

**Comptroller's Directive No. 3-08**  
**Attachment 11**  
**Internal Service Fund Financial Statement Template**

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**General information, continued**

8. Each template will require a fluctuation analysis from prior year's template. The fiscal year 2007 amounts will automatically populate when the internal service fund selects its fund from the drop-down list on the **Internal Service Template** tab. Each agency should review the Directive section entitled **Additional Guidelines for Preparation of GAAP Basis Fund Financial Statement Templates, Fluctuation Analysis Guidelines and Materiality Scopes** to determine the dollar and percentage variances that require explanation.
  9. Provide explanations for fluctuation analysis in a Microsoft Word document and submit with the template. In your explanations quantify the underlying reasons (i.e. management decision, trend, event) for the change, don't just state the item increased or that the item increased because another item decreased.
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**Comptroller's Directive No. 3-08**  
**Attachment 11**  
**Internal Service Fund Financial Statement Template**

**Energy  
Performance  
Contracts**

The Treasury Board administers the lease financing program for energy efficiency projects. These projects are intended to reduce energy consumption and demand or allow for the use of an alternative energy source. In some cases these projects are funded through escrow financing. A bank account is established for the agency to purchase equipment or pay for other project expenses over a certain period of time. This type of funding should be reported as installment purchase obligations. Below are example entries of how to record activity related to the escrow funding of these projects. (**Note:** In some cases the specific financial statement template (FST) line item is not provided. Use professional judgment to determine the appropriate FST line item.)

Cash Installment Purchase Obligations	Record escrow funds to be used by the agency for the energy efficiency projects.
Operating Expenses Cash	Record payments to contractors from the escrow funds.
Capital Assets Operating Expenses	Reclassify expenses that meet capitalization threshold.
Operating Expense - Interest Expense Installment Purchase Obligations Cash	Payment on installment purchase obligation
Cash Nonoperating Revenue – Investment Income	Record investment earnings on escrow funds
Capital Assets (for capitalizable equipment) Operating Expenses (for noncapitalizable equipment) Accounts Payable	Agency identifies payable vouchers at June 30.

**Comptroller's Directive No. 3-08**  
**Attachment 11**  
**Internal Service Fund Financial Statement Template**

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**GASBS No. 42**  
**Requirement**

**GASBS No. 42** provides reporting guidance for the impairment of capital assets and **all** insurance recoveries.

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**Overview of**  
**Requirements**

**Financial Statement Template Reporting:**

- **Recognize Impairment Loss: Capital assets permanently impaired during fiscal year 2008:** The capital asset must be written down by the impairment loss amount. Any insurance recoveries recognized during the year for the impaired capital asset must be netted with the impairment loss. On the financial statement template, these losses should be reported as operating expenses - other, special item, or extraordinary item.
- **Insurance Recoveries:** For any insurance recoveries that are for prior year capital asset impairments and / or all other reasons (i.e. theft, embezzlement of cash, etc.), report these recoveries on the financial statement template as nonoperating revenue - other or an extraordinary item.

**Footnote Disclosures:**

- **Impairment Losses:** The footnotes must include a general description, the amount and the financial statement template line item.
- **Idle Permanently and / or Temporarily Impaired Capital Assets:** The carrying amount of temporarily and / or permanently impaired capital assets that are idle as of year-end must be disclosed.
- **All Insurance Recoveries:** The footnotes must include the amount and financial statement template line item for **all** insurance recoveries (not just for impaired capital assets).

**Other Considerations:**

- For any capital assets that do not meet the impairment test, the remaining useful life and salvage value may need to be reevaluated and changed on a prospective basis.

**Note:** Refer to **GASBS No. 42** for additional guidance.

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**Comptroller's Directive No. 3-08**  
**Attachment 11**  
**Internal Service Fund Financial Statement Template**

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**Tab 3, Part 3.1** This part is to identify potential impairments as follows:

A) **Possible Impairment of Capital Assets:** As of June 30, 2008, did this fund have an event\* or change in circumstances\* that may indicate an impairment of a capital asset as described in **GASBS No. 42**? If yes, provide a description, month / year it took place, the possible impaired capital assets, and then go to B. If no, proceed to the next financial statement footnote tab.

**\*Note:** This must be a prominent event or circumstance that is conspicuous or known to the agency. It is expected to have been discussed by the board, management, or media. Common indicators of impairment include the following:

- Physical damage (i.e. fire, flood)
- Enactment or approval of laws / regulations or other changes in environmental factors
- Technological development or evidence of obsolescence
- Change in the manner or expected duration of a capital asset
- Construction stoppages (i.e. lack of funding)

B) **Impairment Test:** If yes to A, is the decline in service utility of the capital asset significant **and** unexpected? If yes, go to C. If no, proceed to the next financial statement footnote tab.

**Note:** If this test indicates an impairment has not occurred, the estimated useful life and salvage value may need to be reevaluated and changed. This should be accounted for on a prospective basis.

C) **Permanent Impairment:** If yes to A and B, is the impairment considered permanent? If yes, go to D. If no, go to 3.2.

**Note:** Generally, an impairment should be considered permanent; however, in some cases it may be considered temporary. If it is considered temporary, the capital asset should not be written down. See **GASBS No. 42** for additional guidance.

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**Comptroller's Directive No. 3-08**  
**Attachment 11**  
**Internal Service Fund Financial Statement Template**

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**Tab 3, Part 3.1 (Continued)**

**D) Financial Statement Template Reporting & Footnote Disclosure:** If yes to A, B, and C, have the impairment loss and related insurance recoveries (if applicable) been properly reported on the financial statement template (FST) in accordance with **GASBS No. 42**? If **no**, provide an explanation and go to Part 3.2. If **yes**, provide the impairment loss and insurance recovery by FST line item on which this activity is reported.

**Note:** For **impaired capital assets that will continue to be used by the agency**, the impairment loss that should be written off should be measured by one of the following methods: restoration cost approach, service units approach, or deflated depreciation replacement cost approach. For **impaired capital assets that will no longer be used by the agency or capital assets impaired from construction stoppage**, they should be reported at the lower of carrying value or fair value.

Loss on capital assets that became permanently impaired during fiscal year 2008 must be reported on the financial statement template as operating expenses - other, extraordinary item, or special item. If the impairment loss took place in prior years and was not previously recognized, beginning net assets should be restated. Use professional judgment to determine the appropriate FST line item.

Also, per **GASBS No. 42** paragraph 21, if insurance recoveries are in the same year as the impairment loss, the impairment loss should be reported net of the associated insurance recovery. Also, per **GASBS No. 42** paragraph 17 - footnote 6, this guidance also applies to insured impairments that result in an accounting gain.

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**Tab 3, Part 3.2,**  
**Idle Capital**  
**Assets –**  
**Temporarily or**  
**Permanently**  
**Impaired**

Any permanently and / or temporarily impaired capital assets that are idle as of year-end must be disclosed. Provide the carrying amount of any permanently and / or temporarily impaired capital assets as of year-end.

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**Comptroller's Directive No. 3-08**  
**Attachment 11**  
**Internal Service Fund Financial Statement Template**

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**Other  
Insurance  
Recoveries**

For any insurance recoveries that are not reported in Part 3.1 D, provide the amount, financial statement template line item, and a description on **Tab 7 – Miscellaneous**, Question 5.

**Note:** This includes current year insurance recoveries for capital assets impaired in prior years. It also includes all other insurance recoveries. (i.e. recoveries for embezzlement of cash, theft). Insurance recoveries should be reported on the financial statement template as nonoperating revenue – other or extraordinary item. On the conversion to the government-wide Statement of Activities, the nonoperating revenue – other should be reported as program revenues. Use professional judgment to determine the appropriate FST line item.

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**Comptroller's Directive No. 3-08**  
**Attachment 11**  
**Internal Service Fund Financial Statement Template**

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**Appendix 1: GASBS No. 42 – Example Entries**

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The examples below are from a building that was impaired because of a fire. The following examples do not include restoration or replacement costs which should be reported as a separate transaction from the impairment loss and associated insurance recovery.

	Impairment loss (prior year)	Impairment loss (current year)	Insurance Recovery (current year)	Net Gain/(Loss)on impairment (current year)
Example 1		(200,000)	150,000	(50,000)
Example 2		(200,000)	250,000	50,000
Example 3		(200,000)	0	(200,000)
Example 4	(200,000)	0	150,000	

Below are example FST entries for the current year based on the examples above.

**Example 1:**

Cash	150,000	
Extraordinary item (net loss) (see <b>Note A</b> )	50,000	
Accumulated depreciation-buildings		200,000

**Example 2:**

Cash	250,000	
Extraordinary item (net gain) (see <b>Note B</b> )		50,000
Accumulated depreciation-buildings		200,000

**Example 3:**

Extraordinary item (see <b>Note A</b> )	200,000	
Accumulated depreciation-buildings		200,000

**Example 4:**

Cash	150,000	
Extraordinary item (see <b>Note C</b> )		150,000

**Note:** For example 4, since the insurance recovery was not recognized in the same year as the impairment loss, the insurance recovery is not netted with the impairment loss for the current year. Also, the \$200,000 impairment loss should have been recorded in the prior year. **These insurance recoveries are not reported on Tab 3 - Capital Assets; they should be reported on the Tab 7 - Miscellaneous, Question 5.**

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**Comptroller's Directive No. 3-08**  
**Attachment 11**  
**Internal Service Fund Financial Statement Template**

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**Appendix 1: GASBS No. 42 – Example Entries, continued**

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**Note A:** Depending on the circumstances of the impairment, the other FST line items that this loss could be reported on are as follows:

- Operating Expenses – Other
- Special Item

**Note B:** Depending on the circumstances of the impairment, the other FST line items that this gain could be reported on are as follows:

- Nonoperating Revenue – Other
- Special Item

**Note C:** Depending on the circumstances of the impairment, the other FST line item that this insurance recovery could be reported on is as follows:

- Nonoperating Revenue – Other

As a reminder, per **GASBS No. 34** the definitions of extraordinary items and special items are as follows.

- Extraordinary item: Transactions or events that are **both** unusual in nature and infrequent in occurrence.
- Special item: Transactions or other events **within the control of management** that are either unusual in nature **or** infrequent in occurrence.

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**Comptroller's Directive No. 3-08**  
**Attachment 11**  
**Internal Service Fund Financial Statement Template**

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**Appendix 1: GASBS No. 42 – Example Entries, continued**

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The following provides guidance on how to report the example entries on TAB 3:

**Example 1:**

Record on TAB 3 Part 3.1 D as follows:

Financial Statement Template line item:	Impairment loss \$	Insurance Recovery \$ included in the net impairment loss/gain calculation
Operating Expenses-Other		
Special Item		
Extraordinary Item	200,000	150,000
Nonoperating Revenue - Other		

**Example 2:**

Record on TAB 3 Part 3.1 D as follows:

Financial Statement Template line item:	Impairment loss \$	Insurance Recovery \$ included in the net impairment loss/gain calculation
Operating Expenses-Other		
Special Item		
Extraordinary Item	200,000	250,000
Nonoperating Revenue - Other		

**Example 3:**

Record on TAB 3 Part 3.1D as follows:

Financial Statement Template line item:	Impairment loss \$	Insurance Recovery \$ included in the net impairment loss/gain calculation
Operating Expenses-Other		
Special Item		
Extraordinary Item	200,000	
Nonoperating Revenue - Other		

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*Continued on next page*

**Comptroller's Directive No. 3-08**  
**Attachment 11**  
**Internal Service Fund Financial Statement Template**

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**Appendix 1: GASBS No. 42 – Example Entries, continued**

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**Example 4:**

Record on TAB 3 Part 3.1 D as follows:

Financial Statement Template line item:	Impairment loss \$	Insurance Recovery \$ included in the net impairment loss/gain calculation
Operating Expenses-Other		
Special Item		
Extraordinary Item		
Nonoperating Revenue - Other		

Since the insurance recovery is not netted with the impairment loss, record on **Tab 7 - Miscellaneous, Question 5** as follows:

Yes	5	Are insurance recoveries reported on the financial statement template that are <b>not</b> already reported on TAB 3, Capital Assets, Part 3.1D?
Financial Statement Template line items:		\$ Amount
Nonoperating Revenue - Other		
Extraordinary Items		150,000

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